



OFFICE OF THE
UTAH STATE AUDITOR

December 2, 2013

To the Members of the Legislature of the State of Utah

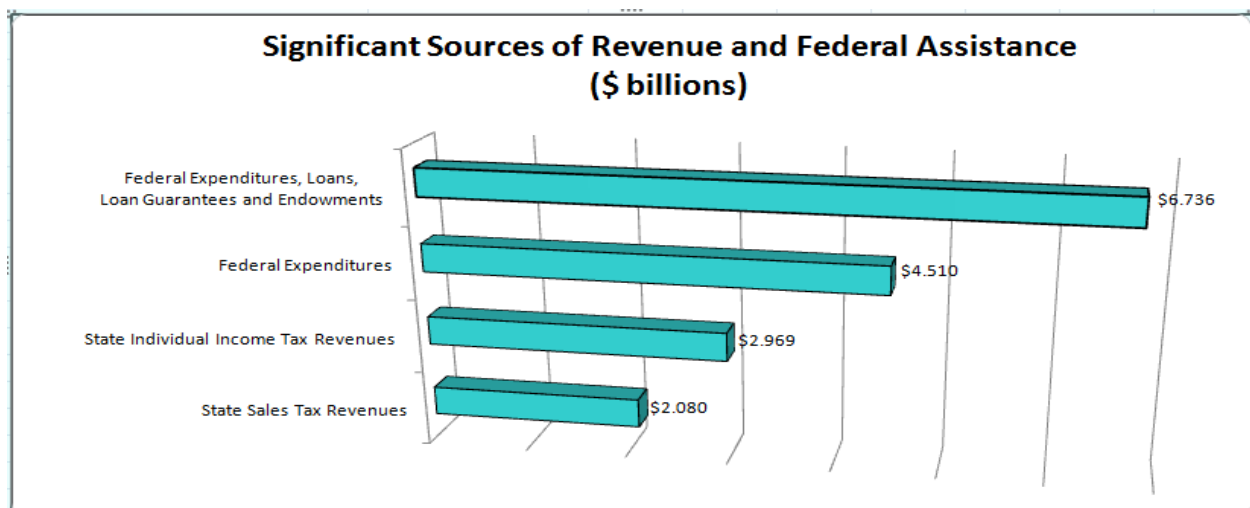
Dear Legislator:

The State is required to have an annual compliance audit (Single Audit) of all federal funds expended to determine whether the funds were spent in accordance with federal laws and regulations. This letter is to inform you that the compliance audit for fiscal year 2013 is now complete and copies of that report are now available in our office or on our website.

The audit report covers the State's compliance with federal laws and regulations governing the use of federal funds. The \$4.510 billion in federal funds spent in fiscal year 2013 represents 26% of the State's total fiscal year 2013 expenditures of \$17.381 billion.

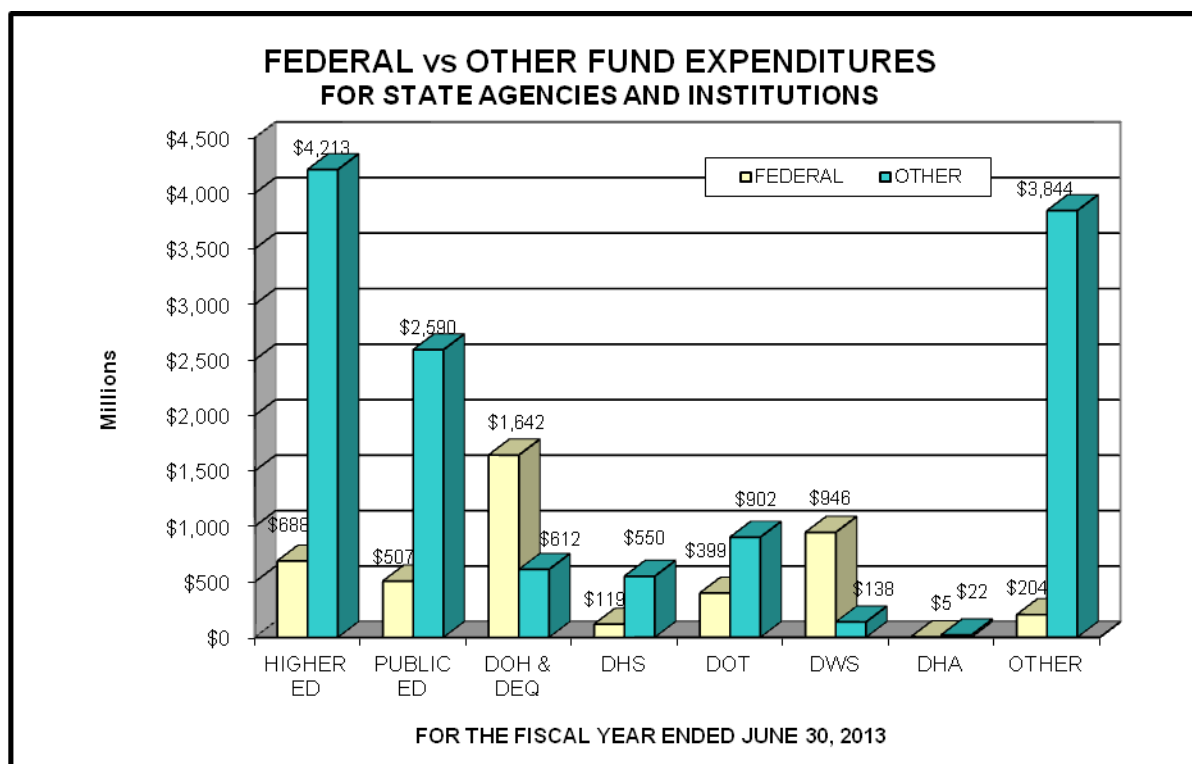
Federal funds are a major source of funding for the State of Utah and are the State's largest single revenue source. For the fiscal year ended June 30, 2013, Utah received \$4.510 billion in federal funds compared to \$2.969 billion in individual income tax and \$2.080 billion in sales tax. In addition, the State relied on another \$2.226 billion in loans, endowments and loan guarantees for total federal assistance of \$6.736 billion. The large federal programs are extremely complex to administer, with extensive "red tape" and detailed rules and reporting requirements.

As State Auditor, I want to highlight, given the recent partial federal shutdown and the continual budget turmoil in Congress, the concerns raised by such a significant amount of funding dependent on a single source with such fiscal dysfunction.



Of this \$4.510 billion in expenditures, nearly \$4.182 billion was expended in five main areas. The comparison of federal expenditures vs. state expenditures in these areas is listed below:

1. Health (including Medicaid) and Environmental Quality \$1.642 billion federal vs. \$612 million state
2. Workforce Services \$946 million federal vs. \$138 million state
3. Higher Education \$688 million federal vs. \$4.213 billion state
4. Public Education \$507 million federal vs. \$2.590 billion state
5. Transportation \$399 million federal vs. \$902 million state



HIGHER ED – Colleges and Universities
PUBLIC ED – Office of Education
DOH & DEQ – Dept. of Health and
Dept. of Environmental Quality
DHS – Dept. of Human Services

DOT – Dept. of Transportation
DWS – Dept. of Workforce Services
DHA – Dept. of Heritage and Arts
OTHER – Other state agencies

Overall, the Office found that the State expends federal funds in most respects in compliance with federal regulations. The report presents 49 audit findings, or problems, and recommendations related to the State's noncompliance with federal laws and regulations and related internal controls. The majority of these findings are modest in scope or impact and are in the process of being corrected by agency leadership. Many of these issues are due to the overwhelming size and bureaucratic complexity of federal programs and extensive regulations that can lead to errors.

Of most significant concern this year is that material weaknesses in internal controls were reported for 6 federal programs. In addition, 1 of the 29 federal programs audited received a qualified audit opinion because of material noncompliance with federal program requirements. This program is the Low Income Home Energy Assistance Program. Department of Workforce

Services' management is aware of the issues and is taking steps to bring the program into compliance.

In compliance with federal requirements, the report includes a detailed listing of expenditures for each of the federal programs, as well as a list of disbursements sorted by State program and a list of findings found during the audit.

A copy of all reports produced by my office can be viewed on our website at auditor.utah.gov and this report is specific specifically located at financialreports.utah.gov/saoreports/2013/2013SingleAuditReportStateofUtah.pdf

Sincerely,



John Dougall
Utah State Auditor